

## **EXHIBIT 2**

**From:** Lewis, Marianne (DHS-MCPD)  
**Sent:** Wednesday, November 24, 1999 12:20 PM  
**To:** Mitchell, David (DHS-MCPD); Rosenstein, Stan; Kelly, Joe (DHS-MCPD); Porter, Doug  
**Cc:** Cabacungan, Katherine (DHS-MCPD); Ahrens, Tom (DHS-MCPD); Gorospe, Kevin (DHS-MCPD); Walker, Vic (DHS-MCPD); Biscoe, Linda (DHS-MCS); Bigham, Nancy (DHS-MCPD); 'jaramey@msn.com'  
**Subject:** White papers re proposals to reduce drug costs

**Attachments:** Co-Pay Proposal.doc; Anti-Psychotic Drug Proposal.doc; Selected Pharmacy Proposal.doc; Consolidated Purchasing Proposal.doc; Physician Generic Proposal.doc; supp rebate option-99.doc; supp rebate option #2-99.doc; drug costs 11-99.doc; AWP minus-WAC plus.doc; OTC 100s pints lbs etc.doc; eliminate nutritional option.doc; duration audit cost saving white paper.doc; multisource contracting cost saving whit paper.doc

Hi all – Attached are the proposals to reduce drug costs as requested. They have all been reviewed by Dave and he has asked me to forward to you. They are as follows:

1. Increase Co-Pay
2. Eliminate carve-out of anti-psychotic drugs
3. Contract with selected pharmacies
4. Consolidate drug purchasing from all CHHS programs
5. Incentive for Physicians to prescribe generic drugs
6. Mandatory drug manufacture supplemental rebates
7. Expedited removal of drugs from the Medi-Cal drug formulary
8. Drug rebate enhancement
9. Change basis for reimbursement of drugs
10. Move from a percent mark-up model to a cost plus fee model for OTC drug reimbursement
11. Eliminate enteral nutritional supplements as a benefit
12. Re-establish on-line duration of therapy audit
13. Competitive contracting for multi-source drugs and diabetic supplies.

The fiscal impact (total funds) discussed for most of these proposals , i.e. small, medium and large is defined as follows:

Small: \$5 million or less  
Medium: \$5 – \$20 million  
Large: over \$20 million

We acknowledge that these proposals could be better defined/clarified, but given the time constraints, this is our best product at this point.



Co-Pay  
Proposal.doc (23 KB)



Anti-Psychotic Drug  
Proposal.d...



Selected Pharmacy  
Proposal.doc...



Consolidated  
Purchasing Propos...



Physician Generic  
Proposal.doc...



supp rebate  
option-99.doc (23 ...



supp rebate option  
#2-99.doc (...)



drug costs  
11-99.doc (29 KB)



AWP minus-WAC  
plus.doc (26 KB)...



OTC 100s pints lbs  
etc.doc (24...



eliminate nutritional  
option.d...



duration audit cost  
saving whi...



multisource  
contracting cost s...

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**From:** Ahrens, Tom (DHS-MCPD)  
**Sent:** Wednesday, March 28, 2001 4:50 PM  
**To:** Miller, Craig (DHS-MCPD)  
**Subject:** FW:

**Attachments:** SB 922-2-00.doc

Craig, could you please check out the newly improved and edited SB922 attached below. I'll go final after you approve. Thanks.

-----Original Message-----

**From:** Gorospe, Kevin (DHS-MCPD)  
**Sent:** Wednesday, March 28, 2001 3:43 PM  
**To:** Ahrens, Tom (DHS-MCPD)  
**Subject:** FW:

Made a couple of edits to your paragraph. After you review my changes, you probably should forward this to Craig to catch any changes he might have before we go final with it.

April 2<sup>nd</sup> through 8<sup>th</sup> is National Public Health Week.  
For more information on statewide Public Health activities,  
please visit our web site at <http://www.dhs.ca.gov/phweek>

***J. Kevin Gorospe, Pharm.D.***

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-----Original Message-----

**From:** Ahrens, Tom (DHS-MCPD)  
**Sent:** Wednesday, March 28, 2001 3:40 PM  
**To:** Gorospe, Kevin (DHS-MCPD)  
**Subject:** FW:

Checkout my additional language. Thanks

-----Original Message-----

**From:** Gorospe, Kevin (DHS-MCPD)  
**Sent:** Wednesday, March 28, 2001 2:23 PM  
**To:** Ahrens, Tom (DHS-MCPD)  
**Subject:** FW:

Take a look at my edits/comment. I also just thought of something that we didn't mention in the 696/697 analyses. The bills do not restrict enrollment to California residents. This would be another barrier to manufacturer involvement.

Also for 922, the definition of a "...manufacturer of prescription drugs who sells prescription drugs in this state." May or may not exclude manufacturers or may have something to do with interstate commerce. This came up in relation to the Vermont or Maine program with Merck saying that the law was attempting to control interstate commerce, which only the Federal government has authority over.

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-----Original Message-----

**From:** Ahrens, Tom (DHS-MCPD)  
**Sent:** Wednesday, March 28, 2001 1:26 PM  
**To:** Gorospe, Kevin (DHS-MCPD)  
**Subject:**



SB 922-2-00.doc  
(54 KB)